



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN D. CHERRY, JR.
LT. GOVERNOR

September 15, 2005

The President
The White House
Washington, DC 20500

Dear Mr. President:

I write again this week to urge you to ask oil companies to immediately lower gas prices, announce a plan to cap exorbitant oil profits, and order an immediate investigation by the appropriate federal agencies into the recent actions of the oil industry and resulting harm to our national economy.

Hurricane Katrina exacerbated a problem that already existed and is already hurting our economy, causing consumer inflation to rise .5 percent in August. These price increases represent a money transfer from consumers of oil and petroleum products to the U.S. oil industry and foreign oil producers.

Even before the extent of the hurricane's damage was known, gas prices increased 63 cents per gallon in just three days. After taking all actions necessary and appropriate to increase gasoline supply, I spoke with the president of Marathon Oil, the main refiner and supplier of gasoline in Michigan, and requested that he decrease their prices and pass savings along to the consumer as soon as possible. Later that day, Marathon informed me that they were decreasing their price by 40 cents per gallon. I applauded Marathon for their corporate leadership and understanding that a healthy economy depends on a healthy and affordable fuel supply.

However, gasoline prices are still significantly higher than even last year or the year before, and the impact for states like Michigan is harmful to our manufacturing, service and tourism sectors. Yesterday, one of Michigan's largest employers, Northwest Airlines, filed for bankruptcy, citing rising fuel costs as a major reason. I am concerned that this is only the beginning of the fallout of high gas prices on Michigan businesses and industries. While our industries falter, big oil continues to reap record profits.

According to the Congressional Research Service, the net incomes of the nine integrated oil companies increased 39 percent in 2004 compared to a similar period in 2003, while revenues increased 26 percent and net incomes of independent refiners and marketers rose by 190 percent.

The difference in price from 2004 to 2005 looks like it will be even more significant. According to the Energy Information Administration, the retail price of gasoline has risen from about \$1.84 per gallon last year at this time, to \$2.95 this year. That is a \$1.11 gallon increase—money that is being pocketed by big oil.

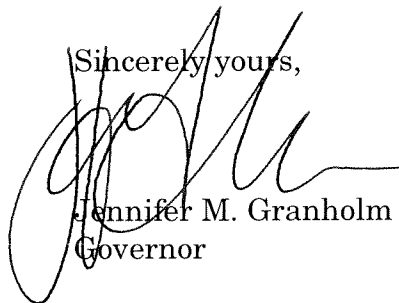
Over the last two months there have been three requests from Michigan for your administration to take aggressive action to protect consumers from unwarranted gas price increases:

- In the federal energy bill that you signed, Senator Stabenow authored an amendment that immediately requires the Federal Trade Commission to investigate price gouging and rising gas prices.
- In early August, I sent a letter to the Commodities Future Trading Commission asking them to investigate what appeared to be rampant speculation and unfettered greed unnecessarily driving up the price of oil at the NYMEX.
- Following the hurricane, I joined several other Governors in a letter asking you to consider a profits cap for big oil in a time of national crisis.

To date, I have not received a response on either of these letters, and there is no indication that the FTC or CFTC has moved forward with an investigation. Meanwhile, the effects on the American economy continue to pile up.

I am asking that you take aggressive action, as I did, to call on the oil companies to lower gas prices and cap exorbitant profits and announce that your federal agencies will begin an immediate investigation into the oil and gasoline markets. If they continue unchecked, we are inviting economic disaster for the majority of Americans for the benefit of only a few. The federal government cannot and should not sit by idly while big oil companies profit at the expense of American citizens and the American economy.

Sincerely yours,



Jennifer M. Granholm
Governor

JMG/pd